

DIRECT TESTIMONY AND EXHIBITS OF

MICHAEL L. SEAMAN-HUYNH

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NO. 2021-2-E

IN RE: ANNUAL REVIEW OF BASE RATES FOR FUEL COSTS FOR

DOMINION ENERGY SOUTH CAROLINA, INC.

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Michael Seaman-Huynh. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as Deputy Director of Energy Operations at the Office of Regulatory Staff (“ORS”).

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received my Bachelor of Arts from the University of South Carolina in 1997. Prior to my employment with ORS, I was employed as an energy analyst with a private consulting firm. I joined ORS in 2006 as an Electric Utilities Specialist and was promoted to Senior Electric Utilities Specialist in 2010. When the Energy Regulation Department was formed in August 2015, I assumed the position of Senior Regulatory Analyst. In May 2016, the Utility Rates and Services Division was formed, and I was promoted to the position of Senior Regulatory Manager. I assumed my current position in August of 2019.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA (“COMMISSION”)?

A. Yes. I have previously testified before the Commission on numerous occasions in connection with hearings concerning annual fuel clause proceedings, annual purchased gas adjustment proceedings, general rate cases, and other various regulatory proceedings.

Q. WHAT IS THE MISSION OF THE OFFICE OF REGULATORY STAFF?

A. ORS represents the public interest as defined by the South Carolina General Assembly as follows:

[T]he concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. The purpose of my direct testimony is to set forth ORS's recommendations resulting from the examination and review of Dominion Energy South Carolina, Inc.'s ("DESC" or "Company") fuel expenses used in the generation of electricity to meet the Company's retail customer requirements during the review period. The review period includes the actual data for January 2020 through December 2020 ("Actual Period"), estimated data for January 2021 through April 2021 ("Estimated Period"), and forecasted data for May 2021 through April 2022 ("Forecasted Period").

Q. WAS THE REVIEW PERFORMED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes. The review to which I testify was performed by me or under my supervision.

Q. WHAT DID ORS'S REVIEW OF THE COMPANY'S FUEL EXPENSES INVOLVE?

A. ORS examined various fuel related documents as part of the review. These documents address the Company's fuel, environmental, and purchased power expenses for the Actual, Estimated, and Forecasted Periods. In preparation for this proceeding, ORS

1 analyzed the Company's monthly fuel reports, and examined the Company's contracts for
2 nuclear fuel, coal, natural gas, fuel oil, transportation, and environmental reagents. ORS
3 also evaluated the Company's policies and procedures for fuel procurement. All
4 information was reviewed with reference to the Company's existing Adjustment for Fuel,
5 Variable Environmental, Avoided Capacity, S.C. Code Ann. §58-27-865 (the "Fuel Clause
6 Statute"), and the Company's approved Distributed Energy Resource Program ("DERP"),
7 S.C. Code Ann. § 58-39-140.

8 **Q. WHAT ADDITIONAL STEPS WERE TAKEN IN ORS'S REVIEW OF THE**
9 **COMPANY'S PROPOSAL?**

10 **A.** ORS met virtually with Company personnel from various departments to discuss
11 and review fossil and nuclear fuel procurement, fuel transportation, environmental
12 compliance costs and procedures, emission allowances, forecasting, and general Company
13 policies and procedures pertaining to fuel procurement. In addition, ORS monitors the
14 nuclear, coal, natural gas, transportation and renewable industries through industry and
15 governmental publications.

16 **Q. DID ORS REVIEW THE COMPANY'S ENVIRONMENTAL COMPLIANCE**
17 **RELATED COSTS?**

18 **A.** Yes. ORS reviewed the Company's environmental compliance related costs
19 including allowances for nitrogen oxide ("NO_x") and sulfur dioxide ("SO₂") emissions,
20 reagents (i.e., limestone, ammonia, urea, etc.), and chemicals used in the reduction of these
21 emissions. The use of these chemicals and reagents reduces the Company's NO_x and SO₂
22 emissions, and the costs associated with the use of these substances are included in the

Company's Adjustment for Fuel, Variable Environmental, Avoided Capacity, and DERP costs tariff as provided by the Fuel Clause Statute.

Q. DID ORS REVIEW THE ACCURACY OF THE COMPANY'S FORECAST?

A. Yes. As shown in Exhibit MSH-1, the Company's actual megawatt-hour ("MWh") sales were 4.65% lower than expected during the Actual Period. Exhibit MSH-2 shows, on average, the actual fuel costs for the Actual Period were 6.88% lower than the projected monthly fuel costs. Exhibit MSH-3 shows the actual base fuel expenses for the Actual Period were 11.09% lower than the Company's projections for the Actual Period.

Q. PLEASE DISCUSS ORS'S REVIEW OF THE COMPANY'S FORECASTED SALES AND COSTS FOR THE ESTIMATED AND FORECASTED PERIODS.

A. ORS reviewed the Company's projected sales and performed a comparative analysis to the projections from its last fuel proceeding in Docket No. 2020-2-E and sales from the Actual Period. ORS found the Company's sales projections to be reasonable and in line with historical sales data.

ORS reviewed the Company's forecasted costs for nuclear fuel, coal, natural gas, fuel oil, transportation, and environmental reagents for the Estimated and Forecasted Periods. ORS compared the monthly projected costs to historical projections from Docket No. 2020-2-E, actual data from the Actual Period, and commodity prices from numerous industry publications. ORS found the Company's forecasted costs to be reasonable except for an error that was discovered as described below.

Q. PLEASE EXPLAIN THE ERROR IN THE COMPANY'S FORECAST DISCOVERED BY ORS DURING THE REVIEW.

1 **A.** ORS discovered an error during the course of the review of the Company's costs
2 for the Forecasted Period. Specifically, an error was discovered in the months of October
3 and November of 2021 regarding the timing of an outage at the Jasper Generating Station
4 ("Jasper"). The Company inadvertently included the fall 2021 outage at Jasper for only
5 three (3) days in its cost model. The outage is actually scheduled to last for thirty-four (34)
6 days. Exhibit BSB-6, attached to the direct testimony of ORS witness Brandon Bickley,
7 shows that Jasper is one of the Company's lower cost generating units. Because Jasper
8 will not be available during the outage, a higher cost resource will have to be dispatched in
9 its place. The difference between these resource costs results in an error, increasing the
10 Company's forecasted costs by approximately \$5,549,000.

11 **Q. HOW DOES ORS RECOMMEND THE ERROR IN FORECASTED COSTS BE**
12 **ADDRESSED?**

13 **A.** ORS recommends the Company not update its fuel forecast or proposed rates in
14 this docket to correct for the error. Correcting for the error would increase customers rates
15 beyond what has already been proposed by the Company. Any base fuel (over)/under-
16 recovery balance will be addressed in the Company's next annual fuel proceeding.

17 **Q. PLEASE EXPLAIN THE PRIMARY DRIVERS OF THE COMPANY'S REQUEST**
18 **FOR A RATE CHANGE IN THIS PROCEEDING.**

19 **A.** Exhibit MSH-4 shows the cumulative ending period balances of base fuel,
20 environmental and capacity, and DERP avoided costs beginning in December 2010. As of
21 December 2020, the Company had a cumulative base fuel over-recovery balance of
22 \$52,090,275, a cumulative environmental and capacity related over-recovery balance of
23 \$3,808,244, and a cumulative DERP avoided costs over-recovery balance of \$738,981.

1 This is reflected in ORS witness Kleckley's Audit Exhibit WCK-5. As shown on ORS
2 witness Kleckley's Audit Exhibit WCK-5, ORS projects the Company to have a cumulative
3 base fuel over-recovery balance of \$44,697,895, a cumulative environmental and capacity
4 related over-recovery balance of \$4,873,904, and a cumulative DERP avoided costs over-
5 recovery balance of \$507,870 by April 2021. While these over-recovery balances are
6 greater than in the previous year (Docket No. 2020-2-E), the Company is forecasting
7 increased delivered coal and natural gas fuel expenses during the Forecasted Period.

8 **Q. WHAT CHANGES DOES THE COMPANY REQUEST TO ITS CURRENTLY**
9 **APPROVED FACTORS?**

10 **A.** The Company requests the Commission approve an increase to its currently
11 approved Base Fuel Component ("Base Fuel Component") for the Forecasted Period.
12 Additionally, the Company requests to update its Variable Environmental and Avoided
13 Capacity Cost Component ("Environmental and Avoided Capacity Component") and
14 DERP Avoided Cost Component ("DERP Avoided Cost Component") to reflect the
15 Company's forecasted expenses and allocation of these expenses to each class of customer
16 based on its contribution to the Company's summer peak.

17 **Q. DOES ORS RECOMMEND ANY ADJUSTMENTS TO THE FUEL FACTORS**
18 **PROPOSED BY THE COMPANY?**

19 **A.** No. ORS does not recommend any adjustments to the Fuel Factors based on the
20 Company's historical and forecasted fuel expenses and customer sales.

21 **Q. ARE THERE ANY ADDITIONAL FACTORS IN THIS DOCKET THAT WILL**
22 **IMPACT CUSTOMERS' BILLS?**

1 **A.** Yes. The Company included proposed rates related to its DERP incremental
2 expenses. ORS witness Morgan addresses the Company's DERP incremental expenses to
3 be recovered as a fixed charge ("DERP Charge") on customer bills.

4 **Q. WHAT IMPACT WILL THE PROPOSED CHANGE HAVE ON THE TYPICAL**
5 **MONTHLY BILL OF A RESIDENTIAL CUSTOMER?**

6 **A.** Exhibit MSH-5 is a summary of the proposed fuel factor components for each
7 customer class. If approved by the Commission, the rates proposed would increase the
8 typical monthly bill for a Residential Customer on Rate 8 using 1,000 kilowatt-hours
9 ("kWh") from \$122.31 to approximately \$123.90, a net increase of \$1.59 or 1.30%.

10 **Q. PLEASE DISCUSS THE COMPANY'S PROPOSAL TO ALLOW CERTAIN**
11 **LABOR COSTS TO BE RECOVERED THROUGH ITS BASE FUEL**
12 **COMPONENT.**

13 **A.** Company witness Brookmire recommends the Company's labor costs regarding
14 nuclear fuel procurement, nuclear core design, safety analysis, and fabrication surveillance
15 and final receipt inspection be included in the calculation and recovered through its Base
16 Fuel Component. Witness Brookmire states that while Company personnel currently
17 provide many of these services, the Company could contract for these services as part of a
18 "turn-key" bundled product. The Company states that if it were to contract for a "turn-
19 key" bundled nuclear fuel product, the entirety of the costs associated with the contract
20 would be included for recovery and addressed in the annual fuel proceedings through
21 nuclear fuel amortization expense.

22 **Q. HAS ORS REVIEWED WITNESS BROOKMIRE'S PROPOSAL REGARDING**
23 **LABOR COSTS ASSOCIATED WITH NUCLEAR FUEL?**

1 **A.** Yes. ORS reviewed the Company's direct testimony on this matter, conducted
2 discovery, and held discussions with Company personnel. Additionally, ORS held
3 discussions with Duke Energy Carolinas, LLC and Duke Energy Progress, LLC
4 (collectively "Duke") nuclear design and accounting personnel to compare the Company's
5 proposal to Duke's current practices.

6 **Q. DOES ORS HAVE ANY RECOMMENDATIONS REGARDING THE**
7 **COMPANY'S PROPOSAL?**

8 **A.** Yes. ORS does not object to the Company's proposal to include labor costs
9 regarding nuclear fuel procurement, nuclear core design, safety analysis, and fabrication
10 surveillance and final receipt inspection in the Base Fuel Component. ORS has determined
11 that Duke is recovering these types of labor costs through the Fuel Clause Statute. ORS
12 determined, through discovery, the Company is not currently recovering the additional
13 labor costs through currently approved fuel rates. ORS recommends that DESC not be
14 allowed to recover any other labor costs through the Fuel Clause Statute without review by
15 interested parties and approval of the Commission. Additionally, ORS recommend that if
16 the Commission were to approve the Company's proposal, the Company be required to
17 make the proper accounting adjustments to remove these costs from the Company's base
18 rates to ensure no double counting of these labor cost occur.

19 **Q. DOES ORS HAVE ANY ADDITIONAL RECOMMENDATIONS REGARDING**
20 **THE COMPANY'S ANNUAL FUEL FILINGS?**

21 **A.** Yes. ORS recommends that DESC provide a forecast to all interested parties of the
22 expected fuel factor to be set at its next annual fuel proceeding based upon its historical
23 (over)/under recovery to date and forecasts of prices for uranium, natural gas, coal, oil and

1 other fuel required for the generation of electricity. Additionally, the forecast would
2 provide the expected DERP Charge to be set at the Company's next annual fuel proceeding
3 based upon DESC's historical (over)/under-recovery to date and DESC's forecast of DERP
4 incremental and avoided costs. ORS recommends these forecasts be provided on a
5 quarterly basis after the Company's new fuel rates are effective for the three (3) quarters
6 prior to the Company's next fuel proceeding. These forecasts would provide valuable
7 information for interested parties prior to the Company's next fuel proceeding.

8 **Q. WILL YOU UPDATE YOUR DIRECT TESTIMONY BASED ON INFORMATION**
9 **THAT BECOMES AVAILABLE?**

10 **A.** Yes. ORS fully reserves the right to revise its recommendations via supplemental
11 testimony should new information not previously provided by the Company, or other
12 sources, become available.

13 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

14 **A.** Yes, it does.

Office of Regulatory Staff
Comparison of Estimated to Actual Retail Energy Sales
 Dominion Energy South Carolina, Inc.
Docket No. 2021-2-E

EXHIBIT MSH-1

2020													
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Actual Period Total
[1] Actual Sales (MWh)	1,732,265	1,683,421	1,630,118	1,440,196	1,425,146	1,824,426	2,156,137	2,149,375	2,081,292	1,656,832	1,465,856	1,669,614	20,914,676
[2] Estimated Sales (MWh)	1,895,000	1,668,200	1,605,000	1,542,400	1,819,400	2,068,300	2,223,000	2,163,700	1,893,500	1,619,000	1,632,800	1,805,300	21,935,600
[3] Difference [1]-[2]	-162,735	15,221	25,118	-102,204	-394,254	-243,874	-66,863	-14,325	187,792	37,832	-166,944	-135,686	-1,020,924
[4] Percent Difference [3]/[2]	-8.59%	0.91%	1.56%	-6.63%	-21.67%	-11.79%	-3.01%	-0.66%	9.92%	2.34%	-10.22%	-7.52%	-4.65%

Office of Regulatory Staff
Comparison of Estimated to Actual Fuel Cost
Dominion Energy South Carolina, Inc.
Docket No. 2021-2-E

EXHIBIT MSH-2

2020													
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Actual Period Average
[1] Actual Experience (£/kWh)	2.3164	1.9183	1.8883	1.8531	2.4669	2.1393	2.2389	2.2723	2.0004	2.4023	2.5286	2.6719	2.2247
[2] Original Projection (£/kWh)	2.3744	2.3356	2.3548	2.6041	2.4433	2.3101	2.3700	2.3734	2.3687	2.3850	2.3740	2.3749	2.3890
[3] Amount in Base (£/kWh)	2.4510	2.4510	2.4510	2.4510	2.2500	2.2500	2.2500	2.2500	2.2500	2.2500	2.2500	2.2500	2.3170
[4] Variance from Actual [1-2]/[2]	-2.44%	-17.87%	-19.81%	-28.84%	0.97%	-7.39%	-5.53%	-4.26%	-15.55%	0.73%	6.51%	12.51%	-6.88%

Office of Regulatory Staff
Comparison of Estimated to Actual Base Fuel Costs
Dominion Energy South Carolina, Inc.
Docket No. 2021-2-E

EXHIBIT MSH-3

2020													
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Actual Period Total
[1] Actual Experience (Total \$)	\$41,903,570	\$33,703,052	\$31,999,535	\$27,787,456	\$36,604,820	\$40,397,743	\$50,058,315	\$51,079,790	\$43,500,988	\$41,703,149	\$38,764,461	\$46,226,979	\$483,729,858
[2] Original Projection (Total \$)	\$46,743,000	\$40,467,000	\$39,323,000	\$41,679,000	\$46,273,000	\$49,718,000	\$54,797,000	\$53,417,000	\$46,632,000	\$40,185,000	\$40,304,000	\$44,505,000	\$544,043,000
[3] Difference [1]-[2]	-\$4,839,430	-\$6,763,948	-\$7,323,465	-\$13,891,544	-\$9,668,180	-\$9,320,257	-\$4,738,685	-\$2,337,210	-\$3,131,012	\$1,518,149	-\$1,539,539	\$1,721,979	-\$60,313,142
[4] Percent Difference [3]/[2]	-10.35%	-16.71%	-18.62%	-33.33%	-20.89%	-18.75%	-8.65%	-4.38%	-6.71%	3.78%	-3.82%	3.87%	-11.09%

Office of Regulatory Staff
History of Cumulative Recovery Accounts
Dominion Energy South Carolina, Inc.
Docket No. 2021-2-E

EXHIBIT MSH-4

Period Ending	Base Fuel (Over)/Under	Environmental & Avoided Capacity (Over)/Under	DERP Avoided Costs (Over)/Under
December-10	\$ 76,013,131	\$ (3,180,866)	N/A
December-11	\$ 92,791,882	\$ 3,051,203	N/A
December-12	\$ 82,500,782	\$ 1,654,373	N/A
December-13	\$ 60,307,192	\$ 202,213	N/A
December-14	\$ 64,427,701	\$ (277,377)	N/A
December-15	\$ (21,307,142)	\$ (4,359,999)	\$ (2,035)
December-16	\$ (52,599,284)	\$ (3,904,943)	\$ (1,709,001)
December-17	\$ 2,355,695	\$ (2,272,425)	\$ (1,504,687)
December-18	\$ (8,740,636)	\$ (2,120,185)	\$ (1,856,462)
December-19	\$ (8,415,146)	\$ (4,011,204)	\$ (1,334,400)
December-20	\$ (52,090,275)	\$ (3,808,244)	\$ (738,981)

Office of Regulatory Staff
Proposed Fuel Factors
Dominion Energy South Carolina, Inc.
Docket No. 2021-2-E

EXHIBIT MSH-5

DESC Proposed Fuel Factors (¢/kWh)				
Customer Class	Base Fuel Component	Environmental Fuel & Avoided Capacity Component	DERP Avoided Cost Component	Total Fuel Factor
Residential	2.413	0.068	0.042	2.523
Small General Service	2.413	0.058	0.037	2.508
Medium General Service	2.413	0.046	0.029	2.488
Large General Service	2.413	0.031	0.020	2.464
Lighting	2.413	0.000	0.000	2.413